



STATE OF WASHINGTON

## ECONOMIC AND REVENUE FORECAST COUNCIL

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February 7, 2006

**TO:** Representative Jim McIntire, Chair  
Senator Joseph Zarelli  
Senator Mark Doumit  
Representative Ed Orcutt  
Victor Moore, OFM, Director  
Cindi Holmstrom, DOR, Director

**FROM:** ChangMook Sohn, Executive Director  
Economic and Revenue Forecast Council

**SUBJECT: REVISED ECONOMIC FORECAST**

The preliminary economic forecast has been revised since its initial release on January 31, 2006. The new forecast is based on Global Insight's February Control forecast which incorporates weaker actual fourth quarter real GDP growth and higher near-term oil prices than were assumed in the January Control forecast. While oil prices have risen recently, the "Iran premium" is expected to fall out of the current price during the course of the quarter. As a result, the overall impact on the economy is minimal. Inflation is slightly lower in the revised forecast than in the preliminary forecast and the mortgage interest rate is slightly lower.

At the state level, the forecast reflects the impacts of the changes in the national forecast. In addition, the level of employment has been raised slightly to reflect a revision to the historical data. Overall, the revisions to the state forecast are also minor. Washington personal income growth is slightly weaker than in the preliminary forecast but housing permits are slightly higher.

If you have any questions, please contact Bret Bertolin, Senior Economic Forecaster, at (360) 570-6106.

Cc: Governor's Council of Economic Advisors  
CMS:bb  
Enclosures

## Revisions to the February 2006 Preliminary Economic Forecast

	<u>2005Q4</u>	<u>2006Q1</u>	<u>2006Q2</u>	<u>2006Q3</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Real GDP, Percent change</b>								
February Revised	1.12	4.84	3.09	3.11	3.26	2.73	2.92	3.19
February Preliminary	3.12	3.83	3.13	3.20	3.43	2.72	2.96	3.24
Difference	-2.00	1.02	-0.04	-0.09	-0.16	0.01	-0.04	-0.06
<b>Oil Price, West Texas Intermediate</b>								
February Revised	60.1	64.0	61.2	60.8	61.5	59.0	56.9	53.6
February Preliminary	60.0	59.3	58.4	58.0	58.2	56.5	55.0	52.5
Difference	0.1	4.7	2.8	2.8	3.3	2.5	1.9	1.0
<b>Implicit Price Deflator, Percent change</b>								
February Revised	2.64	1.51	1.41	1.80	2.15	1.91	2.06	1.95
February Preliminary	2.73	1.82	1.76	1.81	2.32	2.01	2.10	2.04
Difference	-0.09	-0.31	-0.35	-0.01	-0.17	-0.11	-0.04	-0.09
<b>Implicit Price Deflator (Core), Percent change</b>								
February Revised	2.16	2.09	2.17	2.25	2.04	2.28	2.29	2.21
February Preliminary	1.99	2.39	2.32	2.41	2.14	2.41	2.37	2.30
Difference	0.17	-0.30	-0.15	-0.16	-0.10	-0.13	-0.08	-0.09
<b>Federal Funds Rate, Percent</b>								
February Revised	3.98	4.43	4.75	4.75	4.67	4.75	4.81	5.00
February Preliminary	3.97	4.42	4.75	4.75	4.67	4.75	4.81	5.00
Difference	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00
<b>Mortgage Rate, Percent</b>								
February Revised	6.22	6.22	6.41	6.45	6.38	6.53	6.86	7.15
February Preliminary	6.23	6.53	6.69	6.72	6.67	6.80	6.94	7.15
Difference	-0.01	-0.31	-0.28	-0.27	-0.28	-0.27	-0.08	0.00
<b>Washington Payroll Employment, Percent change</b>								
February Revised	4.35	2.34	2.55	2.40	2.77	2.19	1.78	1.54
February Preliminary	4.07	2.39	2.49	2.37	2.72	2.17	1.78	1.58
Difference	0.27	-0.05	0.06	0.03	0.05	0.02	0.00	-0.04
<b>Washington Real Personal Income, Percent change</b>								
February Revised	0.92	4.71	5.06	13.22	4.90	4.62	4.23	4.35
February Preliminary	1.26	4.33	5.00	13.60	4.91	4.71	4.42	4.46
Difference	-0.34	0.38	0.06	-0.39	-0.01	-0.09	-0.19	-0.11
<b>Washington Nominal Personal Income, Percent change</b>								
February Revised	3.58	6.33	6.54	15.25	7.16	6.62	6.38	6.38
February Preliminary	4.05	6.23	6.84	15.66	7.36	6.82	6.61	6.59
Difference	-0.47	0.09	-0.30	-0.41	-0.19	-0.20	-0.23	-0.21
<b>Washington Housing Permits, Thousands</b>								
February Revised	58.1	53.2	51.6	51.2	51.7	49.9	47.4	45.7
February Preliminary	58.1	51.9	50.2	50.0	50.5	48.7	47.1	45.8
Difference	0.0	1.3	1.4	1.2	1.2	1.2	0.3	-0.1